

BEFORE THE  
POSTAL REGULATORY COMMISSION  
WASHINGTON, D.C. 20268-0001

REMOVING INTERNATIONAL RESTRICTED  
DELIVERY FROM THE COMPETITIVE PRODUCT  
LIST

DOCKET No. MC2013-3

**REQUEST OF THE UNITED STATES POSTAL SERVICE  
TO REMOVE INTERNATIONAL RESTRICTED DELIVERY  
FROM THE COMPETITIVE PRODUCT LIST**

In accordance with 39 U.S.C. § 3642 and 39 C.F.R. § 3020.30 *et seq.*, the United States Postal Service hereby requests that Postal Regulatory Commission (Commission) remove International Restricted Delivery from the competitive product list.<sup>1</sup>

Pursuant to 39 C.F.R. § 3.4(f), the Governors authorized this Request on September 13, 2012; a copy of the Governors' decision is included as Attachment A to this Request. A Statement of Supporting Justification, which demonstrates that the Request fulfills the criteria set forth in 39 U.S.C. § 3642 for making changes to the competitive product list, is included as Attachment B. The proposed Mail Classification Schedule (MCS) language appears as Attachment C. As required by 39 U.S.C. § 3642(d)(1), a notice describing the Request is being published in the *Federal Register*.

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<sup>1</sup> The market dominant product list also contains an entry for International Restricted Delivery (1510.4). As part of its Notice of Market-Dominant Price Adjustment, filed in Docket No. R2013-1, the Postal Service has deleted "Outbound International Restricted Delivery," a service coupled with outbound letter post, from the market dominant product list, and retained Inbound Restricted Delivery. As Inbound International Restricted Delivery will still be available on the market dominant price list, the Postal Service does not believe that the deletion of Outbound International Restricted Delivery from the market dominant product list constitutes a modification of the Mail Classification Schedule per 39 C.F.R. § 3020.30. To the extent that the Commission considers the deletion of Outbound International Restricted Delivery from market dominant product list a modification per 39 C.F.R. § 3020.30, essentially the same arguments provided regarding the removal of International Restricted Delivery from the competitive product list would apply.

As discussed in the Statement of Supporting Justification, the Postal Service is requesting the removal of International Restricted Delivery from the competitive product list due to the low quantity demanded by customers. There are no marketplace indicators that demonstrate any propensity for future volume and revenue growth. Therefore, in making the decision to eliminate International Restricted Delivery, Postal Service Management is attempting to better align its service offerings with customer interest.

The Postal Service therefore requests that International Restricted Delivery be removed from competitive product list. As described in the Statement of Supporting Justification, the proposed changes fulfill all of the criteria set forth in 39 C.F.R. § 3020.32.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

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October 11, 2012

**DECISION OF THE GOVERNORS OF THE UNITED STATES POSTAL SERVICE ON CHANGES  
IN RATES AND CLASSES OF GENERAL APPLICABILITY FOR COMPETITIVE PRODUCTS  
(GOVERNORS' DECISION NO. 12-02)**

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September 13, 2012

**STATEMENT OF EXPLANATION AND JUSTIFICATION**

Pursuant to our authority under section 3632 of title 39, as amended by the Postal Accountability and Enhancement Act of 2006 ("PAEA"), we establish new prices of general applicability for the Postal Service's shipping services (competitive products), and such changes in classifications as are necessary to define the new prices. The changes are described generally below, with a detailed description of the changes in the attachment. The attachment includes the draft Mail Classification Schedule sections with changes in classification language in legislative format, and new prices displayed in the price charts.

As shown in the nonpublic annex being filed under seal herewith, the changes we establish should enable each competitive product to cover its attributable costs (39 U.S.C. § 3633(a)(2)) and should result in competitive products as a whole complying with 39 U.S.C. § 3633(a)(3), which, as implemented by 39 C.F.R. § 3015.7(c), requires competitive products to contribute a minimum of 5.5 percent to the Postal Service's institutional costs. Accordingly, no issue of subsidization of competitive products by market dominant products should arise (39 U.S.C. § 3633(a)(1)). We therefore find that the new prices and classification changes are in accordance with 39 U.S.C. §§ 3632-3633 and 39 C.F.R. § 3015.2.

## **I. Domestic Products**

### **A. Express Mail**

Overall, the Express Mail price change represents a 5.8 percent increase. The existing structure of zoned Retail, Commercial Base and Commercial Plus price categories is maintained.

Retail prices will increase an average of 6.5 percent. The price for the Retail Flat Rate Envelope and Legal Flat Rate Envelope, a significant portion of all Express Mail volume, is increasing 5.3 percent to \$19.95. Additionally, the price for the recently-introduced Padded Flat Rate Envelope is increasing to \$19.95.

The Commercial Base price category offers lower prices to customers who use online and other authorized postage payment methods. The Commercial Base prices will increase 2.0 percent.

The Commercial Plus price category offers even lower prices to large-volume customers. Commercial Plus prices, as a whole, will receive a 1.0 percent increase.

### **B. Priority Mail**

Overall, Priority Mail prices will increase by 6.3 percent. However, the price increase varies by rate cell and price tier. The existing structure of Retail, Commercial Base, and Commercial Plus price categories is maintained.

Retail prices will increase an average of 9.0 percent. However, approximately three percent of the increase is for free tracking visibility which will now be included at no charge. Flat Rate Box prices will be: Small, \$5.80; Medium, \$12.35; Large, \$16.85; and Large APO/FPO/DPO, \$14.85. The regular Flat Rate Envelope will be priced at \$5.60, with the Legal Size and Padded Flat Rate Envelopes priced at \$5.75 and \$5.95, respectively.

The Commercial Base price category offers lower prices to customers using online and other authorized postage payment methods. The average price increase for Commercial Base will be 3.7 percent.

The Commercial Plus price category offers even lower prices to large-volume customers. The average price increase for Commercial Plus will be 3.8 percent. This price category will continue to contain Critical Mail letters and flats, a half pound price, an assortment of Flat Rate packaging, and Commercial Plus Cubic pricing. New for January, Critical Mail letters and flats will each have the option of receiving a signature upon delivery. The letter option will be priced at \$4.60; the flat option at \$5.35. Cubic mailers will continue to be able to use soft packaging as well as traditional boxes.

### **C. Parcel Select**

On average, prices for Parcel Select, the Postal Service's bulk ground shipping product, will increase 9.0 percent. For destination entered parcels, the average price increases are 8.0 percent for parcels entered at a destination delivery unit (DDU), 4.9 percent for parcels entered at a destination plant (DSCF) and 4.8 percent for parcels entered at a destination Network Distribution Center (DNDC).

For nondestination-entered parcels, the average price increases are 5.7 percent for origin Network Distribution Center (ONDC) presort, 4.3 percent for Network Distribution Center (NDC) presort, and 4.2 percent for nonpresort. Prices for Lightweight Parcel Select, formerly Standard Mail commercial parcels, will increase by 9.8 percent. The Regional Ground category will be eliminated due to insufficient volume.

### **D. Parcel Return Service**

Parcel Return Service prices will have an overall price increase of 4.8 percent. Prices for parcels retrieved at a return Network Distribution Center (RNDC) will have a 1.0 percent overall increase, and prices for parcels picked up at a return delivery unit (RDU) will increase 8.5 percent. Additionally, the Postal Service will be introducing a full network return solution, Full Network PRS, available to high volume mailers with at least 50 thousand pieces annually.

### **E. First-Class Package Service**

First-Class Package Service was transferred to the competitive product list on April 6, 2011. This product is positioned as a lightweight (less than one pound) offering used by businesses for fulfillment purposes. Overall, Commercial First-Class Package Service prices will increase 3.0 percent, with no structural changes.

### **F. Parcel Post, Renamed Standard Post**

On July 20, 2012, in Docket No. MC2012-13, the Postal Regulatory Commission (PRC) gave conditional approval for Parcel Post to be transferred to the competitive product list. The conditions were: (1) that the Postal Service files a notice of competitive price adjustment for Parcel Post rates that demonstrates that the rates satisfy 39 U.S.C. § 3633(a) and 39 CFR part 3015 (i.e. that Parcel Post will have 100 percent cost coverage); (2) that the Commission issues an order finding that the rates satisfy 39 U.S.C. § 3633(a) and 39 CFR part 3015; and (3) that the Parcel Post transfer authorized by the Commission will not take effect until the effective date of the rates authorized in the subsequent Order. A 21 percent increase in prices will be needed to meet this statutory requirement to achieve 100 percent cost coverage. The transferred product will be renamed Standard Post.

### **G. Domestic Extra Services**

Premium Forwarding Service prices will increase 10.5 percent. The enrollment fee will remain unchanged at \$15.00. The weekly reshipment fee will increase to \$17.00. Address Enhancement Service prices will be increasing between 3.7 and 17.7 percent depending on the particular rate element, to ensure adequate cost coverage. Competitive Post Office Box prices will be increasing 2.6 percent, which is within the existing price range. Package Intercept service, established January 22, 2012, will not have a change in prices. The Pick-up On Demand fee will be increased from \$15.30 to \$20.00, its first increase in four years. New for January, customers ordering flat rate packaging supplies online will be able to pay a fee to get supplies delivered faster than the current free service provided by shipping the supplies using Standard Post or Bound Printed Matter. This service will be priced at \$2.50, and a price range will be established similar to other items in this category.

## **II. International Products**

### **A. Expedited Services**

International expedited services include Global Express Guaranteed (GXG) and Express Mail International (EMI). Overall, GXG prices will rise by 9.6 percent, and EMI will be subject to an overall 13.2 percent increase. The existing structure of GXG Retail,

Commercial Base, and Commercial Plus price categories is maintained, as well as the existing structure of EMI Flat Rate, Retail, Commercial Base and Commercial Plus. Classification changes include a change in the maximum weight of the EMI Flat Rate Envelope from 20 pounds to 4 pounds. In addition, the Pickup On Demand Service fee will increase, as previously described in the Domestic Extra Services section of this decision. Further, the Postal Service may offer one or more promotions in the form of a discount or rebate on certain GXG and EMI items, during an established promotional program period, to mailers that comply with the eligibility requirements of the promotional program.

Customers tendering at least \$100,000 in revenue per year for not only GXG, EMI, Priority Mail International (PMI), but also First-Class Package International Service may request authorization for Commercial Plus discounts.

#### **B. Priority Mail International**

The overall increase for Priority Mail International (PMI) will be 15.1 percent. The existing structure of PMI Flat Rate, Retail, Commercial Base, and Commercial Plus price categories is maintained. Classification changes include the availability of Electronic USPS Delivery Confirmation® International, which is optionally provided at no charge and offers scan events for customers using select software or online tools. It is available for certain Priority Mail International Flat Rate Envelopes and Small Flat Rate Box offerings to select destinations. In addition, the Pickup On Demand Service fee will increase, as previously described in the Domestic Extra Services section of this decision. Further, the Postal Service may offer one or more promotions in the form of a discount or rebate on certain PMI items, during an established promotional program period, to mailers that comply with the eligibility requirements of the promotional program.

Customers tendering at least \$100,000 in revenue per year for not only GXG, EMI, PMI, but also First-Class Package International Service, may request authorization for Commercial Plus discounts.

**C. International Priority Airmail and International Surface Air Lift**

Published prices International Priority Airmail (IPA) will increase by 1.9 percent, and International Surface Air Lift (ISAL) prices will increase by 4.4 percent.

**D. Airmail M-Bags**

The published prices for Airmail M-Bags will increase by 7.3 percent.

**E. First-Class Package International Service™**

On August 10, 2012, the Postal Service filed with the Postal Regulatory Commission (PRC) a request to transfer First-Class Mail International packages and rolls from the market dominant product list to the competitive product list. On September 10, 2012, the PRC granted the Postal Service's request. The new product will be identified as First-Class Package International Service™ (FCPIS), which will comprise packages and rolls. Due to anticipated cost increases and market conditions, a 58.6 percent increase is planned for the new product.

Additionally, Electronic USPS Delivery Confirmation® International, which is optionally provided at no charge, offers scan events for customers using select software or online tools. It is available for FCPIS mailpieces meeting certain physical characteristics to select destinations. Further, the Postal Service will offer Commercial Base and Commercial Plus discounts to eligible FCPIS customers. Customers tendering at least \$100,000 in revenue per year for GXG, EMI, PMI and First-Class Package International Service may request authorization for Commercial Plus discounts. Further, the Postal Service may offer one or more promotions in the form of a discount or rebate on certain Outbound Single-Piece First-Class Package International Service items, during an established promotional period, to mailers that comply with the eligibility requirements of the promotional program.

**F. International Ancillary Services and Special Services**

Prices for several international ancillary services and paper money orders will be increased. Certificates of Mailing will increase 4.3 percent. Registered Mail will increase 10.2 percent. International Return Receipt will also increase, and International Postal Money Orders will increase 1.1 percent. The amount of Express Mail International



merchandise insurance coverage available for no fee will be increased from \$100 to \$200. Due to the elimination of the \$0.85 fee for the EMI \$100.01 - \$200 merchandise insurance coverage tier, the overall increase for the international ancillary services is zero percent.

Because of low customer demand, International Restricted Delivery will be removed from the competitive product list. The Postal Service intends to file a separate request, pursuant to 39 U.S.C. § 3642, to remove International Restricted Delivery from the competitive product list.

#### ORDER

The changes in prices and classes set forth herein shall be effective at 12:01 A.M. on January 27, 2013. We direct the Secretary to have this decision published in the *Federal Register* in accordance with 39 U.S.C. § 3632(b)(2). We also direct management to file with the Postal Regulatory Commission appropriate notice of these changes.

Further, Postal management is directed to provide the required public notice and to file with the Postal Regulatory Commission a request to remove International Restricted Delivery from the competitive product list of the Mail Classification Schedule, including any supporting documents, in accordance with 39 C.F.R. § 3020.

By The Governors:



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Thurgood Marshall, Jr.  
Chairman

### Statement of Supporting Justification

I, Larry E. Richardson, Manager of Alliance Integration and Support, sponsor the Postal Service's Request that the Postal Regulatory Commission remove International Restricted Delivery from the competitive product list as outlined in the proposed Mail Classification Schedule (MCS) language. This Statement supports the Request by providing the information required by each applicable subsection of 39 C.F.R. § 3020.32, as indicated below. I attest to the accuracy of the information contained herein.

- (a) *Demonstrate why the change is in accordance with the policies and the applicable criteria of chapter 36 of title 39 of the United States Code.*

As demonstrated below in subsections (b) through (i), the change complies with the applicable statutory provisions.

- (b) *Explain why, as to market dominant products, the change is not inconsistent with each requirement of 39 U.S.C. 3622(d), and that it advances the objectives of 39 U.S.C. 3622(b), taking into account the factors of 39 U.S.C. 3622(c).*

Not Applicable.

- (c) *Explain why, as to competitive products, the addition, deletion, or transfer will not result in the violation of any of the standards of 39 U.S.C. 3633.*

Section 3633 sets forth three standards for competitive products. Subsection (a)(1) prohibits the subsidization of competitive products by market-dominant products. Subsection (a)(2) requires that each competitive product cover its attributable costs. And subsection (a)(3) requires that all competitive products collectively cover an appropriate share of Postal Service institutional costs.

Because the Postal Service is requesting the removal of a product from the competitive product list, the product's ability to cover its own costs does not inform the instant request. Additionally, removal of the product from the competitive product list ensures that there will be no subsidization of this competitive product by market dominant products.

- (d) *Verify that the change does not classify as competitive a product over which the Postal Service exercises sufficient market power that it can, without risk of losing a significant level of business to other firms offering similar products: (1) set the price of such product substantially above costs; (2) raise prices significantly; (3) decrease quality; or (4) decrease output.*

Not applicable.

- (e) *Explain whether or not each product that is the subject of the request is covered by the postal monopoly as reserved to the Postal Service under 18 U.S.C. 1696 subject to the exceptions set forth in 39 U.S.C. 601.*

International Restricted Delivery is outside the scope of letter monopoly under existing regulations as the letter monopoly was suspended in 1986 with respect to “the uninterrupted carriage of letters from a point within the United States to a foreign country for deposit in its domestic or international mails for delivery to an ultimate destination outside the United States.” 39 C.F.R. § 320.8. Moreover, International Restricted Delivery involves an ancillary service to a host piece.

- (f) *Provide a description of the availability and nature of enterprises in the private sector engaged in the delivery of the product.*

Not applicable.

- (g) *Provide any information available on the views of those who use the product on the appropriateness of the proposed modification.*

Library Reference USPS-LR-MC2013-3/NP1 shows that there is minimal use of the product. As such, there is no available information on the views of the few customers who use the product.

- (h) *Provide a description of the likely impact of the proposed modification on small business concerns.*

Library Reference USPS-LR-MC2013-3/NP1 shows that there is minimal use of the product. As such, there is likely to be very little impact, if any, on small business concerns.

- (i) *Include such information and data, and such statements of reasons and bases, as are necessary and appropriate to fully inform the Commission of the nature, scope, significance, and impact of the proposed modification.*

The data provided in Library Reference USPS-LR-MC2013-3/NP1 show that there is minimal use of the product. As such, the Postal Service requests that the Commission approve this Request.

**DRAFT MAIL CLASSIFICATION SCHEDULE (MCS)  
LANGUAGE**

**OCTOBER 11, 2012**

## PART B

### COMPETITIVE PRODUCTS

#### **2000** COMPETITIVE PRODUCT LIST

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#### **2001** COMPETITIVE PRODUCT DESCRIPTIONS

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#### **2303** Outbound Single-Piece First-Class Package International Service

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#### **2303.5** Optional Features

The following additional services may be available in conjunction with the product specified in this section:

- International Ancillary Services (2615)
  - International Certificate of Mailing (2615.1)
  - International Registered Mail (2615.2)
  - International Return Receipt (2615.3)
  - ~~International Restricted Delivery (2615.4)~~

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**2315 Outbound Priority Mail International**

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**2315.5 Optional Features**

The following additional services may be available in conjunction with the product specified in this section:

- Pickup On Demand Service
- International Ancillary Services (2615)
  - International Certificate of Mailing (2615.1)
  - Outbound Competitive International Registered Mail (2615.2)
  - International Return Receipt (2615.3)
  - ~~International Restricted Delivery (2615.4)~~
  - International Insurance: Parcels and Large and Medium Flat Rate Boxes only (2615.5)

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**2510 Outbound International**

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**2510.3 Global Expedited Package Services (GEPS) Contracts**

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**2510.3.5 Optional Features**

The following additional services may be available in conjunction with the product specified in this section:

- Pickup On Demand Service
- International Ancillary Services (2615)
  - International Certificate of Mailing: PMI Flat Rate Envelope only (2615.1)
  - Outbound Competitive International Registered Mail: PMI Flat Rate Envelope only (2615.2)
  - International Return Receipt (2615.3)
  - ~~International Restricted Delivery: PMI Flat Rate Envelope only (2615.4)~~
  - International Insurance (2615.5)

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**2510.6 Global Plus Contracts**

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**2510.6.5 Optional Features**

The following additional services may be available in conjunction with the product specified in this section:

- Pickup On Demand Service: EMI and PMI only
- International Ancillary Services (2615)
  - International Certificate of Mailing: IPA, PMI Flat Rate Envelope only (2615.1)
  - International Insurance: EMI, PMI parcels only (2615.5)
  - Outbound Competitive International Registered Mail: PMI Flat Rate Envelope only (2615.2)
  - ~~International Restricted Delivery: PMI Flat Rate Envelope only (2615.4)~~
  - International Return Receipt: EMI, PMI only (2615.3)

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**2510.7 Global Reseller Expedited Package Contracts**

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**2510.7.5 Optional Features**

The following additional services may be available in conjunction with the product specified in this section:

- Pickup On Demand Service
- International Ancillary Services (2615)
  - International Certificate of Mailing: PMI Flat Rate Envelope only (2615.1)
  - International Insurance (2615.5)
  - Outbound Competitive International Registered Mail: PMI Flat Rate Envelope only (2615.2)
  - ~~International Restricted Delivery: PMI Flat Rate Envelope only (2615.4)~~
  - International Return Receipt (2615.3)

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**2600 SPECIAL SERVICES****2600.1 Class Description**

Special Services are services offered by the Postal Service related to the delivery of mailpieces, including acceptance, collection, sorting, transportation, or other functions. Some Special Services products can be purchased on a stand-alone basis.

**2600.2 Products Included in Class**

- Address Enhancement Services (2605)
- Greeting Cards and Stationery (2610)
- International Ancillary Services (2615)
  - International Certificate of Mailing (2615.1)
  - Outbound Competitive International Registered Mail (2615.2)
  - International Return Receipt (2615.3)
  - ~~International Restricted Delivery (2615.4)~~
  - International Insurance (2615.5)
  - Custom Clearance and Delivery Fee (2615.6)
- International Money Transfer Service—Outbound (2620)
- International Money Transfer Service—Inbound (2625)
- Premium Forwarding Service (2630)
- Shipping and Mailing Supplies (2635)
- Post Office Box Service (2640)
- Competitive Ancillary Services (2645)
  - Adult Signature Service (2645.1)

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**2615 International Ancillary Services**

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**2615.4 International Restricted Delivery****2615.4.1 Description**

- a. ~~International Restricted Delivery service limits who may receive an item as determined by the internal requirements of the destination country.~~
- b. ~~International Restricted Delivery service is available only at the time of mailing for registered Priority Mail International Flat Rate Envelopes and Small Flat Rate Boxes accompanied by a return receipt, subject to availability in the destination country.~~

**2615.4.2 Prices**

	<b>(\$)</b>
Per Piece	4.55

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